FLEXIGROUP

Notice of Annual General Meeting 2014

17 October 2014

Dear Shareholder

Annual General Meeting 2014

On behalf of the Directors of FlexiGroup Limited ("**FlexiGroup**"), I am pleased to invite you to the FlexiGroup 2014 Annual General Meeting ("**2014 AGM**"). Enclosed is the Notice of Meeting setting out the business of the 2014 AGM ("**Notice of Meeting**").

FlexiGroup's 2014 AGM will be held on 19 November 2014 commencing at 4.00pm (Sydney time) at the Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000. If you decide to attend the 2014 AGM, please bring this letter with you to facilitate registration and entry to the 2014 AGM. If you are unable to attend the 2014 AGM, I encourage you to complete and return the enclosed proxy form.

I encourage you to read the Notice of Meeting (including the explanatory notes) and the proxy form and consider directing your proxy how to vote on each resolution by crossing either the "for" box, the "abstain" box or the "against" box on the proxy form.

Subject to the abstentions noted, all the FlexiGroup Directors recommend that shareholders vote in favour of each of the resolutions proposed to be passed at the 2014 AGM.

I look forward to seeing you at the 2014 AGM.

Yours sincerely

Dr Chris Beare
Chairman

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Notice of Annual General Meeting

Notice is hereby given that the 2014 Annual General Meeting ("**2014 AGM**") of FlexiGroup Limited ("**FlexiGroup**" or "**Company**") will be held at 4.00pm on 19 November 2014 to conduct the following business:

Ordinary Business

1 Financial Reporting

To receive and consider the financial statements of the Company for the financial year ended 30 June 2014 and the reports of the Directors and the Auditor of the Company.

There is no vote on this item.

2 Remuneration Report

To adopt the Remuneration Report contained within the Annual Report of the Company for the year ended 30 June 2014.

Please note that this resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion statement

For the purposes of sections 250R and 250BD of the Corporations Act 2001 (Cth):

1. subject to paragraph 2, a vote must not be cast (in any capacity) on the resolution in Item 2 by or on behalf of a member of the Company's key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report ("**KMP**") or their closely related parties, whether as a shareholder or as a proxy except that a vote may be cast on the resolution in Item 2 by a KMP, or a closely related party of a KMP, if:
   (a) the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on the resolution in Item 2; and
   (b) the vote is not cast on behalf of a KMP or a closely related party of a KMP.
2. if you appoint the Chairman of the 2014 AGM as your proxy, and you do not direct your proxy how to vote on the resolution in Item 2 on the proxy form, you will be expressly authorising the Chairman of the 2014 AGM to exercise your proxy even if the resolution in Item 2 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2014 AGM.

The Chairman of the 2014 AGM intends to vote undirected proxies in favour of the resolution in Item 2.

3 Election of Dr Chris Beare as a Director

Dr Chris Beare, Chairman of FlexiGroup, was appointed as a Non-Executive Director, effective 1 July 2014, following the 2013 Annual General Meeting, and therefore offers himself for election as a Director in accordance with Article 10.3 of the Constitution.

4 Re-Election of Andrew Abercrombie as a Director

Andrew Abercrombie will retire in accordance with Article 10.3 of the Constitution and offers himself for re-election as a Director.

Special Business

5 Approval of participation in Long-Term Incentive Plan

To consider and, if thought appropriate, pass the following as an ordinary resolution:

That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the:

- participation in the FlexiGroup Long-Term Incentive Plan ("**LTIP**") up to a maximum of 1,280,000 Performance Rights by Mr Tarek Robbiati, the Managing Director and Chief Executive Officer of the Company; and
- acquisition accordingly by Mr Robbiati of Performance Rights up to the applicable stated maximum and, in consequence of the exercise of those Performance Rights, of ordinary shares of the Company ("**Shares**"),

in accordance with the terms of the LTIP and as described in the Explanatory Notes to this Notice of Annual General Meeting.

Voting exclusion statement

For the purposes of ASX Listing Rule 14.11, the Company will disregard any votes cast on Item 5 by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and an associate of any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company). However, the Company need not disregard a vote if:

(a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

For the purposes of section 250BD of the Corporations Act 2001 (Cth):

1. a vote must not be cast on Item 5 by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on Item 5. However, this voting exclusion does not apply if the KMP is the Chairman of the 2014 AGM acting as proxy and their appointment expressly authorises the Chairman of the 2014 AGM to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP; and
2. if you appoint the Chairman of the 2014 AGM as your proxy, and you do not direct your proxy how to vote on Item 5 on the proxy form, you will be expressly authorising the Chairman of the 2014 AGM to exercise your proxy even if Item 5 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2014 AGM.

The Chairman of the 2014 AGM intends to vote undirected proxies in favour of Item 5.

6 Termination benefits framework

To consider and, if thought appropriate, pass the following as an ordinary resolution:

"That for the purposes of the Corporations Act 2001 (Cth) and for all other purposes, approval be given for the giving of benefits to a person under FlexiGroup's employment agreements, short-term incentive arrangements, long-term incentive arrangements and superannuation arrangements by FlexiGroup, its related bodies corporate, or its associates or any superannuation fund, in connection with that person ceasing to be a director or ceasing to hold a managerial or executive office or position of employment with FlexiGroup or any of its subsidiaries as described in the Explanatory Notes accompanying the Notice of Meeting convening the 2014 AGM."

Voting exclusion statement

For the purposes of section 250BD of the Corporations Act 2001 (Cth):

1. a vote must not be cast on Item 6 by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on Item 6. However, this voting exclusion does not apply if the KMP is the Chairman of the 2014 AGM acting as proxy and their appointment expressly authorises the Chairman of the 2014 AGM to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP; and
2. if you appoint the Chairman of the 2014 AGM as your proxy, and you do not direct your proxy how to vote on Item 6 on the proxy form, you will be expressly authorising the Chairman of the 2014 AGM to exercise your proxy even if Item 6 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2014 AGM.

The Chairman of the 2014 AGM intends to vote undirected proxies in favour of Item 6.

For the purposes of section 200B of the Corporations Act 2001 (Cth), a vote on Item 6 must not be cast (in any capacity) by or on behalf of a person who will receive the benefit of the resolution contained in Item 6 or an associate of such a person. However, a vote may be cast on Item 6 if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution and it is not cast on behalf of a person who will receive the benefit of the resolution contained in Item 6 or an associate of such a person.

Voting Entitlements

Pursuant to Corporations Regulation 7.11.37 and ASX Settlement and Operating Rule 5.6.1, the Directors have determined that the shareholding of each shareholder for the purpose of ascertaining voting entitlements for the 2014 AGM will be as it appears in the Company's share register at 7.00pm (Sydney time) on 17 November 2014.

Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes, they may appoint two proxies and may specify the percentage or number of votes each proxy is appointed to exercise.

However, if the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half of the shareholder's votes. The proxy form, together with any power of attorney or authority under which the proxy form is signed, must be:

(a) sent by facsimile to Link Market Services on +61 2 9287 0309; or

(b) sent by post to Link Market Services in the enclosed reply paid envelope; or

(c) submitted online at www.linkmarketservices.com.au.

Proxies, together with any power of attorney or authority under which the proxy form is signed, must be received not less than 48 hours before the time of the 2014 AGM (i.e. by 4.00pm (Sydney time) on 17 November 2014) or the time of any adjourned meeting.

By order of the Board

Matthew Beaman
Company Secretary

17 October 2014

Explanatory Notes

Ordinary Business

Item 1 – Financial Reporting

Section 317(1) of the Corporations Act 2001 (Cwlth) ("**Corporations Act**") requires a public company to lay before its annual general meeting the financial report, the Directors' Report and the Auditor's Report for the financial year that ended before the annual general meeting.

Shareholders will be given a reasonable opportunity to consider, comment on and ask questions of the Directors and the Auditor of the Company about the management of the Company, the conduct of the audit, and the preparation and contents of the financial statements and reports for the financial year ended 30 June 2014.

The reports are available on FlexiGroup's website at www.flexigroup.com.au.

There is no vote on this item.

Item 2 – Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Remuneration Report for the financial year ended 30 June 2014 is put to the vote of shareholders for adoption. The Remuneration Report is set out on pages 11-26 of the Annual Report.

The vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the Remuneration Report at the 2014 AGM.

The Directors unanimously recommend that shareholders vote in favour of adopting the Remuneration Report.

Item 3 – Election of Chris Beare as a Director

Under the provisions in the Company's Constitution relating to the appointment of additional Directors, Chris Beare will retire at the 2014 AGM and offers himself for election.

Dr Beare was appointed as a Director and Chairman of the Company with effect from 1 July 2014. Chris is currently Chairman of DEXUS Property Group (ASX: DXS), Saluda Medical and Cohda Wireless.

Chris has significant experience in international business, technology, strategy, finance and management and as an independent director. Chris joined investment bank Hambros Australia in 1991, became Head of Corporate Finance in 1994 and joint Chief Executive in 1995. After Hambros was acquired by Société Générale in 1998, Chris remained a Director of SG Australia until 2002. Prior to Hambros, Chris was Executive Director of Melbourne based Venture Capital firm Advent Management Group which he joined in 1987 after various roles in Telecom Australia culminating in the position of Head of Strategy. Chris has strong interests in technology. In 1998 he helped form Radiata, a technology start-up in Sydney and Silicon Valley, and as Chair and Chief Executive Officer steered it to a successful sale to Cisco Systems in 2001. He has been a Director of a number of other technology companies.

Chris holds a BSc, BE (Hons) and PhD (Electrical) from Adelaide University and a MBA from the Harvard Business School.

Prior to submitting himself for election, Dr Beare acknowledged to the Company that he would have sufficient time to properly fulfil his duties to the Company.

The Directors (with Dr Beare abstaining and not voting) recommend that shareholders vote in favour of Dr Beare's election.

Item 4 – Re-Election of Andrew Abercrombie as a Director

Under the provisions in the Company's Constitution for the rotation of Directors, Andrew Abercrombie will retire at the 2014 AGM and offers himself for re-election.

Mr Abercrombie joined the Board on the incorporation of the Company in November 2006. Mr Abercrombie became a Founding Director of the original Flexirent business in 1991. Andrew is an experienced commercial and tax lawyer and was a founding partner in a legal firm operating in both Sydney and Melbourne. Following several years in property investment and tax consulting, he became involved in the Flexirent business in 1991 and until 2003 was Chief Executive Officer.

Prior to submitting himself for re-election, Mr Abercrombie acknowledged to the Company that he would have sufficient time to properly fulfil his duties to the Company.

The Directors (with Mr Abercrombie abstaining and not voting) recommend that shareholders vote in favour of Mr Abercrombie's re-election.

Special Business

Item 5 – Approval of participation in Long-Term Incentive Plan

ASX Listing Rule 10.14 provides that a listed company may only permit a director of the company to acquire securities under an employee incentive scheme where that director's participation has been approved by an ordinary resolution of shareholders.

The approval of shareholders is sought to permit Mr Tarek Robbiati, Managing Director and CEO, to participate, with other executives, in the Long-Term Incentive Plan ("**LTIP**") for up to 1,280,000 Performance Rights, being the specified maximum acquisition amount specified in the resolution.

Overview of the LTIP

The LTIP is part of the overall remuneration strategy of FlexiGroup which is designed to encourage superior performance and commitment to FlexiGroup by the executives participating in the LTIP.

The LTIP operates by giving participants in the LTIP the opportunity to acquire Shares if applicable performance conditions are met, and any other relevant conditions are satisfied. The performance conditions are set by the Board for each participant.

The Board believes that linking remuneration to achievement is a key driver of FlexiGroup's success and that the LTIP:

- provides a meaningful incentive for the creation of, and focus on, shareholder wealth;
- aligns the interests of executives and other employees with shareholders; and
- encourages employee retention.

The previous awards of Performance Rights and Options made to Mr Robbiati under the LTIP no longer provide meaningful incentive to him to drive future shareholder wealth as the Performance Rights and Options have been forfeited or cancelled (see below for further details).

Forfeiture and Cancellation of 2013 Grant

Consistent with the Company's overall remuneration program, Performance Rights and Options were granted to qualifying senior executives (including to Mr Robbiati) pursuant to the LTIP in 2013 ("**2013 Grant**"). Mr Robbiati's participation in the LTIP and the grant of Performance Rights and Options under the 2013 Grant to Mr Robbiati were approved at the Company's 2012 Annual General Meeting which was held on 26 November 2012 ("**2012 AGM Approval**"). The terms of the 2013 Grant were determined in late 2012 as part of the determination of the overall remuneration for the appointment of Mr Robbiati as the new Managing Director and Chief Executive Officer of FlexiGroup (replacing Mr John DeLano).

Subsequently, the Board undertook a long-term strategic review of its remuneration program. Following that review, the Board concluded that:

- the performance hurdles included in the vesting conditions attached to the Performance Rights and Options granted pursuant to the 2013 Grant were unachievable and therefore incapable of being satisfied;
- the targets set for the performance-based vesting conditions were not consistent with market practice;
- as a result, none of the participating senior executives (including Mr Robbiati) would receive any Shares under the 2013 Grant, as none of the Performance Rights and Options granted pursuant to the 2013 Grant would vest; and
- therefore, the terms of the Performance Rights and Options granted under the 2013 Grant were not properly aligned to the Company's remuneration strategy and the ongoing generation of shareholder value, and would not act as an appropriate incentive for future strong performance.

Accordingly, in June 2014, the Board formally determined that the performance hurdles included in the vesting conditions attached to the Performance Rights and Options granted pursuant to the 2013 Grant were incapable of being satisfied, and exercised its discretion under the LTIP Rules to cause all Performance Rights and Options granted to all relevant senior executives of the Company (including Mr Robbiati) pursuant to the 2013 Grant to be forfeited or cancelled for no consideration.

Please see the section in these Explanatory Notes entitled "Additional Information" for further details of the Performance Rights and Options granted to Mr Robbiati pursuant to the 2013 Grant.

As part of the Company's ongoing overall remuneration program, the Board now wishes to invite Mr Robbiati to participate in the LTIP on the terms set out in these Explanatory Notes.

Recommendation

The purpose of this resolution is to ensure that FlexiGroup can:

- align Mr Robbiati's interests with those of FlexiGroup's shareholders;
- provide long-term incentives for Mr Robbiati's participation in FlexiGroup's future growth; and
- assist to retain the services of Mr Robbiati.

The Board notes that it is a competitive market for executives and that it is important to ensure that FlexiGroup's remuneration arrangements are competitive with the remuneration arrangements offered by its Australian and international competitors.

The Directors (with Mr Robbiati abstaining and not voting) recommend that shareholders vote in favour of the resolution in Item 5 on the basis that the overall remuneration of Mr Robbiati, which includes his participation in the LTIP, is reasonable having regard to the circumstances of the Company and Mr Robbiati and that the grant of Performance Rights to Mr Robbiati under the LTIP and on the terms described in these Explanatory Notes:

- is in the best interests of the Company as a whole;
- is consistent with the Company's remuneration policy, in particular the Company's policy of linking remuneration to achievement, and the objective of attracting and retaining highly skilled executives and directors; and
- will therefore have a positive impact on the Company's prospects.

Approval Limits

The maximum number of ordinary shares in the Company ("**Shares**") and Performance Rights to acquire Shares for which approval is sought assumes that all of the Performance Rights offered to Mr Robbiati are granted and subsequently exercised.

The Board has agreed to:

- grant, subject to shareholder approval being obtained, 1,280,000 Performance Rights in four equal tranches to Mr Robbiati on the terms of the LTIP and the terms and conditions described below; and
- the acquisition of Shares by Mr Robbiati on exercise of those Performance Rights,

("**Grant**").

The number of Performance Rights to be issued in each tranche is:

- 320,000 Performance Rights for tranche 1 which relates to performance in FY15;
- 320,000 Performance Rights for tranche 2 which relates to FY16; and
- 320,000 Performance Rights for tranche 3 which relates to FY17; and
- 320,000 Performance Rights for tranche 4 which relates to performance in FY18.

The rules governing the LTIP applicable to Performance Rights ("**LTIP Rules**") were lodged with the ASX on 11 December 2006 and may be accessed through the ASX announcements platform.

The Grant to Mr Robbiati would provide a conditional entitlement to 1,280,000 Shares. The Performance Rights comprising the Grant will become exercisable on the satisfaction of the relevant performance conditions and tenure condition described below.

Consideration for the Grant

Under the Grant, Performance Rights will be granted at no cost to Mr Robbiati.

Exercise Price

The Board has determined that an exercise price of $Nil per Share is payable by Mr Robbiati on the exercise of each Vested Performance Right granted under the Grant.

Vesting Conditions

The Performance Rights are to be allocated in 4 equal tranches. The Performance Rights allocated in each tranche will vest on, and become exercisable on or after, the applicable Vesting Date to the extent that certain performance-based conditions are achieved in the relevant Performance Period and a tenure condition is satisfied.

The Performance Periods applicable to each of the performance-based Vesting Conditions are as follows:

Tranche	Performance Period
Tranche 1	FY15 (being 1 July 2014 to 30 June 2015)
Tranche 2	FY16 (being 1 July 2015 to 30 June 2016)
Tranche 3	FY17 (being 1 July 2016 to 30 June 2017)
Tranche 4	FY18 (being 1 July 2017 to 30 June 2018)

The testing date ("**Testing Date"**) for a Performance Period is the results announcement date for the financial year of that Performance Period.

The Performance Rights will be performance tested against the following performance-based Vesting Conditions:

Vesting Conditions	Percentage of Performance Rights that performance condition is applicable to	Performance condition
Vesting Condition 1	60% of each Tranche of Performance Rights	Cash EPS growth targets for the relevant Performance Period are met
Vesting Condition 2	40% of each Tranche of Performance Rights	Relative TSR for the relevant Performance Period compared to the S&P/ASX 300 Index (not including resources companies)

Cash EPS growth performance condition

The first performance-based Vesting Condition is based on growth on an adjusted "cash NPAT" earnings per shares measure used by the Company to track earnings per share on an underlying performance basis. This adjusted "cash NPAT" earnings per shares measure ("**Cash EPS**") is calculated by the Company for a financial year as:

- the reported statutory net profit after tax for the financial year, after adding back the amount of intangibles amortisation recorded in the annual accounts and after adjusting for any material one-off income or expense items the Board believes appropriate to reflect underlying recurring earnings;
- divided by the weighted average number of ordinary shares on issue during the year.

This is consistent with how the Company reports its "Cash NPAT" in its investor presentations, including the FY14 annual results presentation.

The performance condition tests the growth in Cash EPS for the relevant Performance Period financial year above the Cash EPS for the immediately preceding financial year, measured as a percentage, ("**Cash EPS Growth**").

The Cash EPS Growth condition will be satisfied for a Performance Period in accordance with the following table:

Cash EPS Growth target	Percentage of Performance Rights available in given year satisfying condition
Cash EPS growth less than 7.5% on FY14.	Nil
Cash EPS growth of 7.5% on FY14	30%
Cash EPS growth greater than 7.5% but less than 10% on FY14	Pro rata straight line between 30% and 60%
Cash EPS growth of 10%	60%
Cash EPS growth greater than 10% but less than 12.5% on FY14	Pro rata straight line between 60% and 100%
Cash EPS growth equal to or greater than 12.5%	100%

Relative TSR performance condition

The second performance-based Vesting Condition for each tranche of Performance Rights relates to the Company's Total Shareholder Return ("**TSR"**) for the relevant Performance Period when compared to the peer group of companies in the S&P/ASX 300 Index (excluding resources companies).

For each Performance Period, the TSR for the Company will be determined by calculating the amount by which the sum of:

- the 30 day volume weighted average price ("**VWAP**") for FlexiGroup Shares in the period up to and including the 30 June at the end of the relevant Performance Period; and
- the dividends paid on a Company Share during the relevant Performance Period,

exceeds the 30 day VWAP for the Company's Shares in the period up to and including 1 July at the beginning of the relevant Performance Period, expressed as a percentage.

The relative TSR performance condition will be satisfied in accordance with the following table:

Relative TSR target	Percentage of Performance Rights available in given year satisfying condition
Less than 50th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	Nil
50th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	50%
Greater than 50th percentile but less than the 75th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	Pro rata straight line between 50% and 100%
Greater than or equal to 75th percentile of companies in S&P/ASX 200 Index (excluding Materials and Energy companies)	100%

The Board has the discretion to amend either the Cash EPS growth performance condition or the relative TSR performance condition at any time during the relevant Performance Period applicable to those Performance Rights if the Board believes it is appropriate to do so to reflect the Company's circumstances.

The Board will confirm in writing to Mr Robbiati as soon as reasonably practicable when any of the above performance-based Vesting Conditions have been met.

Vesting Date

As well as the two performance based Vesting Conditions, the Performance Rights are also subject to a tenure condition. For any Performance Right to vest and become exercisable, Mr Robbiati must remain employed by FlexiGroup at the relevant Performance Rights Vesting Date. The Performance Rights Vesting Dates are:

- for tranche 1 Performance Rights – 1 September 2015;
- for tranche 2 Performance Rights – 1 September 2016;
- for tranche 3 Performance Rights – 1 September 2017; and
- for tranche 4 Performance Rights – 1 September 2018.

Should Mr Robbiati cease to be employed by the Company on or prior to a tranche of Performance Rights vesting, all of the unvested Performance Rights will lapse immediately in accordance with the LTIP Rules.

Exercise

Following the Vesting Date or the accelerated vesting of a Performance Right, Vested Performance Rights will be taken to be exercised by Mr Robbiati and Pacific Custodians Pty Limited as trustee of the FlexiGroup Employee Share Plan Trust (**Trustee**) will be allocated or issued Shares on a one-for-one basis on behalf of Mr Robbiati (see below for further details).

Expiry Date

The expiry date for the Performance Rights is:

- for tranche 1 Performance Rights – 15 October 2016;
- for tranche 2 Performance Rights – 15 October 2018;
- for tranche 3 Performance Rights – 15 October 2019; and
- for tranche 4 Performance Rights – 15 October 2021.

Vested Performance Rights that are not exercised before the relevant expiry date will lapse in accordance with the LTIP Rules.

Disposal restriction

Mr Robbiati may not dispose of, deal in, or grant a security interest over any interest in, a Performance Right without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing.

Mr Robbiati may not dispose of, deal in, or grant a security interest over any interest in, a Share allocated to Mr Robbiati on exercise of a Vested Performance Right for any relevant period determined by the Board.

The Board has imposed a disposal restriction on the Shares the subject of this approval which will be granted on the exercise of any Vested Performance Rights. The disposal restriction will be enforced by allocating Shares that are allocated on the exercise of the Vested Performance Rights to the Trustee. The Trustee will hold those Shares on behalf of Mr Robbiati until the disposal restriction is lifted. The disposal restrictions on those Shares will be lifted at the relevant Restriction Period End Date as set out below:

Tranches of Shares allocated on exercise of Vested Performance Rights tranches	% of Shares allocated on vesting and exercise of Performance Rights	Restriction Period End Date
Tranche 1	33%	15 October 2016
	33%	15 October 2017
	33%	15 October 2018
Tranche 2	50%	15 October 2018
	50%	15 October 2019
Tranche 3	25%	15 October 2019
	75%	15 October 2020
Tranche 4	100%	15 October 2021

The Board may also implement any such other arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

The Board has the discretion to amend or waive any disposal restrictions on the Shares the subject of this approval which will be granted on the exercise of any Vested Performance Rights at any time until the disposal restriction ends, if the Board believes it is appropriate to do so to reflect the Company's or Mr Robbiati's circumstances.

Once any Board imposed restriction is removed, and subject to the Company's Trading Policy, Shares acquired on exercise of Vested Performance Rights may be dealt with freely.

Additional information

The Performance Rights will be issued to Mr Robbiati within one month after shareholder approval has been obtained at the 2014 AGM, and in any case no later than 3 years after the 2014 AGM.

Mr Robbiati, being the only Executive Director of the Company, is the only Director who is currently eligible to participate in the LTIP. The last shareholder approval for Mr Robbiati's participation in the LTIP was the 2012 AGM Approval. As a result of the 2012 AGM Approval, Mr Robbiati was granted 600,000 Performance Rights and 2,790,000 Options under the LTIP. There was a $Nil exercise price payable by Mr Robbiati on exercise of each Performance Right which vested under that grant. The exercise price payable in relation to each Option which vested under that grant was an exercise price calculated based on the volume weighted average price of Shares which were traded for the five trading days immediately prior to Mr Robbiati's employment commencement date. The Performance Rights and Options were granted at no cost to Mr Robbiati.

Since then, there have been no further Performance Rights or Options issued to Mr Robbiati under the LTIP. All of the Performance Rights and Options granted to Mr Robbiati as a result of the 2012 Approval have been forfeited or cancelled.

Please see the section in these Explanatory Notes entitled "Forfeiture and Cancellation of 2013 Grant" for further details of the forfeiture and cancellation of the Performance Rights and Options granted to Mr Robbiati pursuant to the 2013 Grant.

No loan will be provided by the Company in relation to the acquisition by Mr Robbiati of Performance Rights or, in consequence of the exercise of those Performance Rights, of ordinary shares of the Company.

Details of any securities issued under the LTIP and a statement that approval for the issue of securities was obtained under ASX Listing Rule 10.14 will be published in each Annual Report of the Company for the period in which the relevant securities were granted.

Any additional persons who become entitled to participate in the LTIP after the resolution under Item 5 is approved, being persons in relation to whom shareholder approval is required under ASX Listing Rule 10.14 and who are not named in the Notice of Annual General Meeting to which these Explanatory Notes relate, will not be entitled to acquire securities under the LTIP until approval is obtained under ASX Listing Rule 10.14.

One of the key purposes of the proposed grant of Performance Rights is to encourage executives and other employees to build an equity stake in the Company in order to align their interests with the interests of shareholders. As detailed above, the proposed grant of Performance Rights the subject of this approval will be allocated in four equal tranches and the Performance Period applicable to each tranche of Performance Rights will be one year in length followed by a Vesting Date applicable to that tranche. Prior to the 2013 Grant, relevant qualifying executives (excluding Mr Robbiati as he was not employed by FlexiGroup at the relevant time) were granted Performance Rights in June 2011 and August 2012.

These Performance Rights were granted on different terms, including different Performance Periods and Vesting Dates, as compared to the proposed grant of Performance Rights the subject of this approval. Each time the Board considers granting Performance Rights, the Board determines the terms which should apply to those Performance Rights, consistent with FlexiGroup's remuneration policy and having regard to relevant market benchmarking and advice from external remuneration consultants. As such, it is possible that the Board may in the future grant Performance Rights on terms that include Performance Periods of longer than one year (being the Performance Periods attaching to the proposed grant of Performance Rights the subject of this approval) and/or extended vesting periods.

Item 6 – Termination benefits framework

Background

The Company is seeking shareholder approval for the benefits that may be payable to key management personnel ("**Key Management Personnel** or **KMP**") employed by the FlexiGroup group ("**Group**") when they cease to hold an office or position of employment in the Group.

The termination benefits to which Key Management Personnel are entitled to have been described in the Company's Remuneration Report for FY 2014 ("**Remuneration Report**") as well as in the remuneration reports in previous years. The Company is seeking this approval so the Group can meet its existing contractual obligations to KMP and ensure that KMP are remunerated fairly and responsibly.

The following information sets out:

- who this resolution applies to and background as to why it is being sought;
- the termination benefits that may be payable to KMP in the event they cease employment with the Group;
- how the termination benefits will be paid; and
- the matters, events and circumstances that may affect the calculation of the value of the termination benefits.

Who this resolution affects

Approval is sought for the termination entitlements or benefits of persons who either now or in the future are employed as a member of the Key Management Personnel of the Group. Key Management Personnel are people who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group as named in the Remuneration Report from year to year. Details of the current members of the Group's KMP are provided in the Remuneration Report.

Approval is only sought for KMP employed by the Group (i.e. not non-executive directors).

Remuneration framework

This section describes the key features of the Group's annual remuneration framework to provide background for the retirement benefits which may be received by KMP. The remuneration framework for the KMP consists of:

- a fixed component (base pay and benefits, including superannuation);

- a short-term incentive ("**STI**"). The payment of STIs has regard to competency in the position and predetermined key performance indicator targets ("**KPIs**") established by the Board; and
- a long-term incentive ("**LTI**") by way of participation in the LTIP for nominated KMPs having regard to predetermined KPIs established by the Board.

Depending on the seniority of KMP, a combination of the above components is used to form KMPs' total annual remuneration. The current target proportion of each component (i.e. remuneration mix) is described in the Remuneration Report, at page 17 of the Annual Report.

The Board may change the proportion of the components from time to time to ensure that the Group's remuneration framework involves an appropriate "at risk" component, is aligned with corporate objectives and reflects market standards in accordance with advice given from remuneration consultants.

Further details of the Group's remuneration framework including the LTIP and STIs are provided in the Remuneration Report.

Termination benefit approval – Part 2D.2.2 of the Corporations Act

Under Part 2D.2.2 of the Corporations Act, the Company, its associates and any prescribed superannuation fund in connection with the Company are prohibited from giving a person who holds a "managerial or executive office" a benefit in connection with their ceasing to hold an office or position of employment in the Group unless shareholders approve the giving of the benefit; or an exemption applies.

Benefits that require shareholder approval and benefits that are exempt

"Benefit" is defined broadly in the Corporations Act to include most forms of valuable consideration. Retirement benefits under the Corporations Act include a range of payments or benefits given in connection with a person ceasing to hold an office or position of employment including termination payments or other benefits such as an accelerated or automatic vesting of share-based payments at or due to a person ceasing to hold an office or position of employment.

There is an exception to the prohibition on the provision of benefits where the value of the benefits do not exceed one year's average base salary (as calculated in accordance with the Corporations Act).

Reasons why shareholder approval is being sought

Shareholder approval is sought for certain benefits under the Group's remuneration framework which will be considered to be termination benefits for the purposes of the Corporations Act.

The shareholder approval sought will cover the following benefits which KMPs may potentially receive under their contracts of employment with companies in the Group and the policies and incentive plans of the Group:

- termination payments under individual executive service agreements;
- short-term incentive payments; and
- the automatic or accelerated vesting of Performance Rights or Options issued to KMP under the LTIP.

Termination payments provided to KMP under their executive services agreements will not ordinarily exceed 6 months total fixed remuneration. However, when aggregated with other benefits a KMP may receive in respect of STI payments or under the LTIP, a KMP's total termination benefits may exceed the 6 month cap imposed by the Corporations Act.

Details of termination benefits

This section describes the manner in which the amount or value of the potential termination benefits of KMP of the Group are to be calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of that benefit, as detailed for each benefit below.

(i) Termination payments under individual executive service agreements

Notice of termination is a contractual entitlement provided for in each KMP's executive service agreement. In all cases, the relevant Group entity has the ability to terminate KMPs' employment without cause with immediate effect and by making a contractual termination payment. KMP can terminate their employment with the relevant Group entity on 3 to 6 months' notice (depending on the terms of the relevant KMP's executive services agreement).

The following termination payments may be payable under a KMP's executive service agreement depending on the circumstances of the termination:

- where the relevant Group entity terminates a KMP (other than for cause), the KMP is entitled to receive a termination payment equal to 6 months' total fixed remuneration; and
- where either the relevant Group Entity or a KMP provides notice of termination, the relevant Group Entity may make a payment in lieu of all or part of this notice period (calculated on the KMP's total fixed remuneration).

A KMP's total fixed remuneration consists of the following components:

- cash salary;
- superannuation contributions; and
- other non-cash benefits agreed between the KMP and the Group entity from time to time.

By way of information, current total fixed remuneration for KMP is disclosed in the Remuneration Report.

The amount of any payment can only be determined once notice is given. Accordingly, the amount of any termination payment cannot be ascertained as at the date of the Notice of Meeting. However, in all cases the termination payments will not exceed the payments described above.

Key matters, events or circumstances which will, or are likely to affect the calculation of the payment in lieu of notice include:

- the KMP's total fixed annual remuneration at the time of termination which will be set on an annual basis following the KMP's remuneration review; and
- the remaining period of the term of the KMP's employment.

(ii) Short-term incentive

KMPs are eligible to be considered for an annual STI payment. The STI payment is conditional on each KMP meeting their defined KPIs reflecting key financial, strategic, operational and personal targets each financial year.

Based upon an annual performance review and success in meeting or exceeding targets, the cash component of the STI is payable on or before the end of September each year in respect of the prior financial year.

All STI payments to Mr Robbiati and Senior Executives are set by the Remuneration Committee and approved by the Board at the beginning of each performance year.

Each KMP has a target STI opportunity. For Mr Robbiati the current maximum target bonus opportunity is 100% of total fixed remuneration. For other KMPs the current maximum entitlement is 30%-50% of the remuneration package. The maximum entitlement of KMPs may be amended from time to time by the Board in order to ensure that the Group's remuneration framework involves an appropriate "at risk" component, is aligned with corporate objectives and reflects market standards.

55% of the KMPs' STI entitlement is linked to an assessment of personal competency and 45% is linked to Group KPIs. The short-term performance incentives may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Board, through the Nomination and Remuneration Committee. The STI target annual amount is reviewed annually.

STI payments are normally only payable where KMP remain employed for the full financial year. However, in the event that a KMP's employment is terminated by an entity within the Group (unless summarily terminated for cause) prior to the end of a full financial year during the term of the executive service agreement, the Board may exercise its discretion to pay a pro rata amount of the STI. The payment of pro rata STI in these circumstances would constitute a termination benefit for the purposes of the Corporations Act.

The amount of any STI payment which may be made to a KMP in these circumstances cannot be ascertained as at the date of the Notice of Meeting. Key matters, events or circumstances which will, or are likely to affect the calculation of the STI payment include:

- the KMP's seniority level, role, responsibilities and performance;
- the circumstances in which the KMP ceases employment;
- the achievement by the KMP of their KPIs;
- the KMP's target STI opportunity and total fixed remuneration for the relevant year; and
- the proportion of the year served by the KMP.

(iii) LTIP

The LTIP is part of the overall remuneration strategy of FlexiGroup which is designed to encourage superior performance and commitment to FlexiGroup by the executives participating in the LTIP.

The LTIP operates by giving participants in the LTIP the opportunity to acquire Shares if applicable performance conditions are met, and any other relevant conditions are satisfied. The performance conditions are set by the Board for each participant. The LTIP has been in place since December 2006.

Under the LTIP, KMP are granted performance rights for nil consideration or options to acquire Shares which only vest if certain performance standards are met and the KMP are still employed by the Group at the end of the vesting period.

Each performance right or option entitles the holder, on satisfaction of the relevant performance hurdles and therefore vesting of the performance right or option, to one Share, subject to the holder being employed by the Group at the end of the performance periods applicable to that participant and to the other LTIP Rules.

A summary of the LTIP rules is set out in the Schedule to these Explanatory Notes.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the options or performance rights held by an Executive in specified circumstances including the Executive's death or cessation of employment for other reasons (including total and permanent disablement, retirement in certain circumstances, or redundancy of that Executive).

The accelerated vesting of performance rights or options under the LTIP in connection with the cessation of employment will constitute a termination benefit under the Corporations Act.

The value of any such benefit cannot be ascertained as at the date of the Notice of Meeting. The value of the benefit will depend on:

- the number of performance rights or options granted and held by the participant in accordance with the LTIP;
- the number of performance rights or options held by the participant which the Board determine should vest; and
- the market price of Shares at the time such performance rights or options are exercised and converted into shares.

Key matters, events or circumstances which will, or are likely to affect the calculation of the value of any accelerated or automatic vesting of performance rights or options include:

- the financial performance of the Group and the business or support area in which the participant works;
- the personal performance of the relevant participant each year;
- the seniority level of the participant;
- the number of years of service with the Group;
- the circumstances in which the participant leaves the Group;
- the proportion of the performance period served by the participant as at the date their employment ceases; and
- performance against the performance conditions as at the date the participant's employment ceases.

Recommendation

The Directors (with Mr Robbiati abstaining and not voting) recommend that shareholders vote in favour of the resolution in Item 6.

Schedule

Summary of the LTIP Rules

The LTIP is part of the Company's remuneration strategy and is designed to align the interests of the Company's management and shareholders and assist the Company in the attraction, motivation and retention of executives. In particular, the LTIP is designed to provide relevant executives with an incentive for future performance thereby encouraging those executives to remain with the Company and contribute to the future performance of the Company.

Under the LTIP, eligible persons participating in the LTIP may be granted Options and/or Performance Rights on terms and conditions determined by the Board from time to time. An Option and a Performance Right are both rights to acquire a Share, subject to the satisfaction of applicable vesting and/or exercise conditions.

A grant of Options or Performance Rights is subject to both the LTIP Rules and the terms of the specific grant as determined by the Board. The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of specific grants of Options and/or Performance Rights to participants in the LTIP.

Eligibility and Participation

The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.

Options and Performance Rights

A person participating in the LTIP (**Executive**) may be granted Options and/or Performance Rights on terms and conditions, including tenure conditions and performance hurdles, determined by the Board. The Board will determine the exercise price payable on exercise of a vested Option and may determine the exercise price (if any) payable on exercise of a vested Performance Right. The LTIP Rules provide that a Performance Right has a nil exercise price unless determined otherwise by the Board. The Board may also determine the exercise period of an Option or a Performance Right.

Consideration for Grant

The Board may determine the amount (if any) payable for the grant of an Option or a Performance Right from time to time.

Vesting

Following the satisfaction of the performance hurdles applying to an Option or a Performance Right, the Option or the Performance Right vests on, and becomes exercisable on or after, a date predetermined by the Board (**Vesting Date**), provided that the Executive remains employed by the Company as at that date.

Automatic and Accelerated Vesting

Unless the Board determines otherwise, early vesting (prior to the relevant Vesting Date) of an Option or a Performance Right will automatically occur if there is a change of control, reconstruction or amalgamation, winding up or delisting of the Company for the purposes of the LTIP Rules.

The Board may, in its discretion, decide to accelerate the vesting of all or part of the Options or Performance Rights held by an Executive in specified circumstances including the death, total and permanent disablement, or cessation of employment for other reasons (e.g. retirement, redundancy or the Executive's employer ceasing to be an entity in FlexiGroup or its business being transferred to a non-FlexiGroup entity) of that Executive.

Lapse

An unvested Option or Performance Right will lapse on the earliest of:

(a) the expiry of the exercise period applicable to that Option or Performance Right;

(b) the Board determining that the performance hurdles in respect of the Option or Performance Right are not satisfied and not capable of being satisfied on the relevant testing date or retesting date (as the case may be) and that the Option or Performance Right has lapsed;

(c) 30 days after the Executive's death or total and permanent disablement, if death or total and permanent disablement occurs;

(d) 30 days after the Executive ceases to be employed by the Company (including where the Executive's employer ceases to be an entity in FlexiGroup or its business has been transferred to a non-FlexiGroup entity) unless the Board makes a determination that the Option or Performance Right has vested; or

(e) the Board determining that the Executive has committed (or it is evident that the Executive intends to commit) any act of dishonesty, fraud, wilful misconduct or breach of duty, serious and wilful negligence or incompetence in the performance of the Executive's duties, or is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of a FlexiGroup entity, and that the Option or Performance Right has lapsed.

Upon the occurrence of any of the events set out in (c), (d) (excluding termination of employment with cause) or (e) above, any vested Option or Performance Right held by the Executive may be exercised during a specified period unless that Option or Performance Right lapses on the expiry date applicable to it prior to the end of that specified period. In the event of an Executive's termination of employment with cause, all the Executive's vested Options and Performance Rights that have not been exercised will lapse on the date of termination (excluding any notice period), unless otherwise determined by the Board.

Subject to the Listing Rules, the Board may, in its discretion, extend a period during which an Executive may exercise an Option or Performance Right, provided that the Board does not extend the Exercise Period. If the Board exercises its discretion to extend the period during which an Executive may exercise an Option or Performance Right, the Board will give written notice of such extension to the Executive as soon as reasonably practicable.

Exercise

Following the Vesting Date or the automatic or accelerated vesting of an Option or Performance Right, the vested Option or Performance Right may be exercised by the Executive subject to any exercise conditions and the payment of the exercise price (if any), and the Executive will then be allocated or issued Shares according to the number of Shares comprised in each vested Option or Performance Right exercised by the Executive.

Delivery of Shares on Exercise of Vested Options or Performance Rights

The Board has the discretion to have Shares issued or transferred to an Executive or to the Trustee (on behalf of an Executive) on the exercise of vested Options or Performance Rights. Any Shares issued under the LTIP will rank equally with those Shares traded on ASX at the time of issue except for any rights attaching to those Shares by reference to a record date prior to the date of issue.

Adjustment

In the event of any capital reorganisation by the Company (including any bonus issues and rights issues), an Executive's Options or Performance Rights, and the Shares allocated to the Executive on exercise of the Executive's Options or Performance Rights, will be adjusted as set out in the LTIP Rules and otherwise in accordance with the Listing Rules. In general, it is intended that the Executive will not receive any advantage or disadvantage from such adjustment.

Restrictions on Disposal of Shares

An Executive (or any person holding a Share on behalf of an Executive) may not dispose of, deal in, or grant a security interest over any interest in, a Share allocated to the Executive on exercise of a vested Option or Performance Right for any relevant period determined by the Board. This disposal restriction may be imposed by the Board at the time of grant or at any time after the date of grant prior to the exercise of the Option or Performance Right (subject to the Executive's agreement). The Board may implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

The Board may amend or waive any disposal restriction imposed if in the Board's opinion it is appropriate to do so taking into account the Participant's (or any other person holding Shares on behalf of the Participant, including the Trustee) circumstances or the Group's circumstances.

Once the restriction is removed, and subject to the Company's Trading Policy, Shares acquired on exercise of vested Options or Performance Rights may be dealt with freely.

Restrictions on Transfer of Options or Performance Rights

An Executive may not dispose of, deal in, or grant a security interest over any interest in, an Option or Performance Right without the prior written consent of the Board, which may be given subject to such conditions as the Board sees fit in relation to the proposed dealing. The transfer or transmission of an Option or Performance Right is permitted where it is effected by force of law, on death or legal incapacity of an Executive, to the Executive's legal representative.

Transfer of Vested Options to a Broker

The Company may, by written notice, invite an Executive to offer to transfer the Executive's vested Options to a Broker in accordance with terms and conditions determined by the Company and the LTIP Rules. The Broker may refuse the offer if it considers, acting reasonably, that the market value or price of any Shares that will be delivered on exercise of a vested Option is less (or reasonably likely to be less) than the relevant vested Option's exercise price. If a Broker acquires a vested Option, it must exercise the vested Option and then deal with the Shares delivered to it in accordance with the terms and conditions contained in the Company's written notice.

Administration of the LTIP

Any power or discretion of the Board conferred under the LTIP Rules will be administered in the interests and for the benefit of the Company. Any power or discretion of the Board conferred under the LTIP Rules may be delegated by the Board to a committee consisting of the Company's officers and/or employees, a related body corporate and/or a third party for such periods, and on such conditions, as the Board sees fit.

The Board may suspend or terminate the LTIP at any time. The suspension or cancellation of the LTIP must not prejudice the existing rights (if any) of Executives. The Board may also amend the LTIP Rules, provided that subject to specified exceptions, there is no reduction of the rights of Executives in respect of Shares allocated or Options or Performance Rights granted under the LTIP prior to the date of such amendment.